

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY
IRONWOOD, MICHIGAN**

June 30, 2008

CONTENTS

Audited Financial Statements:	
Independent Auditor's Report	Page 4
Management's Discussion and Analysis	6
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Statement of Activities	20
Statement of Fiduciary Net Assets – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund	21
Notes to Financial Statements	23
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	45
Other Financial Information:	
General Fund:	
Detail of Revenues - Budget and Actual	47
Detail of Expenditures - Budget and Actual	49
Nonmajor Governmental Funds:	
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62

CONTENTS (CONTINUED)

Other Financial Information: (Continued)

Agency Fund - Statement of Changes in Fiduciary Net Assets	63
Summary of 2007 Tax Levy	64
Detail of Delinquent Taxes Receivable	64
Schedule of Expenditures of Federal Awards	65

Supplemental Reports:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	B-1
Schedule of Findings and Questioned Costs	C-1
Summary Schedule of Prior Year Audit Findings	C-5

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INDEPENDENT AUDITOR'S REPORT

President and Members, Board of Education
Ironwood Area Schools of Gogebic County
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ironwood Area Schools of Gogebic County as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ironwood Area Schools of Gogebic County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ironwood Area Schools of Gogebic County as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of Ironwood Area Schools of Gogebic County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 13 and page 45, respectively, are not a required part of the basic financial statements but are

supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ironwood Area Schools of Gogebic County's basic financial statements. The accompanying Other Financial Information, which includes the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Toki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
September 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

Management's Discussion and Analysis

This section of the Ironwood Area School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ended June 30, 2008.

District-wide Financial Statements

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the School District as a whole. The statements are prepared using the accrual basis of accounting which is the method of accounting used by most private sector businesses. The statement of net assets includes all of the School District's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, food services, athletics and debt service. These activities are funded mostly by State aid as determined by pupil counts, federal and state grants and local property taxes.

The statement of net assets shows the School District's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the School District. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the School District; the greater the net asset figure, generally the healthier the School District's financial strength. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenses results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the School District.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, which is the operating fund of the School District and the 2002 School Building and Site – Series B Debt Service Fund. All other funds of the School District are considered nonmajor and are reported as one column. Separate funds are often required to be set up and separately recorded due to state or federal statutes or by bond covenants or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in governmental fund types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The School District has the following nonmajor governmental funds. The School District operates two Special Revenue Funds. They include the Food Services Fund, which accounts for the breakfast and hot lunch programs and the Athletics Fund, which accounts for the athletic programs. The School District also has two Debt Service Funds which record the activity to pay off debt from bond issues, Series A and B. These bonds were issued to finance school renovations. The Debt Service Fund for Series A is reported as a nonmajor fund while the Series B fund, as noted earlier, is considered a major fund.

Fiduciary funds are funds that account for certain activities in which the School District acts as a trustee or in an agent capacity. The School District reports a private-purpose trust and an agency fund. The trust fund accounts for donations and earnings used to pay for scholarships. The agency fund accounts for various student and other activity groups who raise funds for specific purposes. These activities are not included in the District-wide financial statements as they represent resources that are not available for School District operations.

Governmental funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show detail of operations for a given year according to this method of accounting. This is similar to how the School District reported their finances in the past. The individual fund statement helps determine what financial resources are available on a short-term basis to fund operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

District-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following table shows the June 30, 2008 and 2007, condensed statements of net assets with a detailed analysis of the statements below.

	Governmental Activities	
	June 30,	
	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and investments	\$ 1,009,955	\$ 990,977
Accounts receivable	1,403,413	1,390,017
Other current assets	<u>40,055</u>	<u>43,167</u>
Total Current Assets	\$ 2,453,423	\$ 2,424,161
Noncurrent Assets:		
Restricted cash and cash equivalents	\$ 735,846	\$ 807,372
Capital assets, net of accumulated depreciation	<u>4,406,003</u>	<u>4,625,397</u>
Total Noncurrent Assets	\$ 5,141,849	\$ 5,432,769
Total Assets	<u>\$ 7,595,272</u>	<u>\$ 7,856,930</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

District-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	Governmental Activities	
	June 30,	
	<u>2008</u>	<u>2007</u>
LIABILITIES		
Short-term State aid anticipation note payable	\$ 1,670,000	\$ 1,700,000
Other current liabilities	<u>1,298,237</u>	<u>1,035,347</u>
Total Current Liabilities	\$ 2,968,237	\$ 2,735,347
Long-term liabilities, net of current portion of \$663,997 and \$505,348	<u>3,687,862</u>	<u>4,054,893</u>
Total Liabilities	<u>\$ 6,656,099</u>	<u>\$ 6,790,240</u>
NET ASSETS		
Investment in capital assets, net of related debt	\$ 1,088,177	\$ 960,804
Restricted	789,508	850,467
Unrestricted (deficit)	<u>(938,512)</u>	<u>(744,581)</u>
Total Net Assets	<u>\$ 939,173</u>	<u>\$ 1,066,690</u>

The previous table shows the School District's net assets are \$939,173 as of June 30, 2008. This is a decrease of \$127,517 from the prior year. Capital assets, net of related debt, are \$1,088,177. This figure is derived by taking the original costs of the School District's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. This amount increased by \$127,373 from last year. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net assets of \$789,508 consist of funds in the Debt Service Funds, including \$735,846 that is required to be set aside to be used to pay off future bond payments related to the bond issue. The restricted net assets decreased during the year ended June 30, 2008, due to the annual set aside requirement being less than the required principal payment. The net assets are restricted, as they are not allowed to be used for daily School District operations.

The unrestricted net assets have a deficit of \$938,512 as of June 30, 2008. This is the net accumulated results of past years' operations. The deficit in the unrestricted net assets shows that the School District does not have an ample amount of assets to fund liabilities as of June 30, 2008. The School District's operating results impact the unrestricted net assets on a yearly basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities

The results of operations for the School District as a whole are reported in the statement of activities (see condensed table below). This statement shows the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

	Governmental Activities	
	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Revenue:		
Program Revenue:		
Charges for services	\$ 277,261	\$ 264,012
Operating grants and contributions	818,637	1,215,119
State categoricals	376,365	399,643
General Revenue:		
Property taxes	1,607,883	1,496,538
State aid	6,590,472	6,553,120
Other	<u>265,742</u>	<u>283,124</u>
Total Revenue	\$ 9,936,360	\$ 10,211,556
Functions/Program Expenses:		
Instruction	\$ 6,275,715	\$ 5,996,682
Supporting services	2,786,203	2,960,019
Community services	2,557	216
Food services	558,699	480,406
Athletics	35,448	56,929
Other	21,256	20,440
Interest	140,252	146,136
Depreciation (unallocated)	<u>243,747</u>	<u>247,255</u>
Total Expenses	\$ <u>10,063,877</u>	\$ <u>9,908,083</u>
Increase (Decrease) in Net Assets	\$ <u>(127,517)</u>	\$ <u>303,473</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

The School District had an overall decrease in net assets of \$127,517 for the year ended June 30, 2008. Declining student enrollment due to lack of new job growth in the area has been a continuing challenge. Enrollment actually leveled off from 2004-2005 to 2005-2006, but there was about a 150 student drop in the state aid student counts from 2005-2006 to 2007-2008. A foundation grant increase of \$119 per student helped us to stay out of deficit. The revenue situation was improved by both tax revenue and state aid being more than anticipated. With the exception of the current 8th grade, the School District will graduate more students each year, for the next ten years, than will be replaced. Average grade size for kindergarten through second grade is now only 58 per grade. As utilities, health insurance, and other expenses continue to escalate, the School District is taking measures to control these to generate a surplus and stay out of deficit.

The School District's revenues totaled \$9,936,360. Of this amount, unrestricted state aid accounts for 66% of total revenues, or \$6,590,472. Property taxes assessed to the residents of the School District not restricted for other purposes totaled \$1,317,507. This accounts for 13% of total revenue to be spent on general education and operating needs. In the prior year the unrestricted state aid accounted for 64% and the taxes assessed accounted for 12%. The tax base increased by approximately \$6 million from the previous year. The increase in homestead property value was \$2.3 million and the non-homestead property, which accounts for a large portion of the School District operating tax revenue, increased by \$3.7 million. However, increases in local property taxes only result in corresponding decreases in state aid.

The School District's total cost to fund all governmental activities was \$10,063,877. Approximately 15%, or \$1,472,263 of these costs, were financed by those who benefited from the service or funded by grants from other governmental agencies. Last year approximately 19% was funded by these sources. The School District expended approximately \$7.64 million on wages and fringes from the General Fund, which was 84% of the Fund's total expenditures. Last year 83% of the General Fund expenditures were for wages and fringes. This shows the importance of budgeting and continuing to determine how many employees the School District will fund with unrestricted revenues on a yearly basis, and how much compensation per employee is affordable.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The governmental fund financial statements report the School District's finances similar to how they have been reported prior to the implementation of GASB Statement No. 34. The fund balance totaled \$919,105 as of June 30, 2008. It decreased for all governmental funds by \$115,366 for the year. The General Fund reported a decrease in fund balance of \$56,662, the Debt Service Fund for Series B decreased \$67,558 and other nonmajor funds increased by \$8,854. The General Fund eliminated its deficit during the year ended June 30, 2007.

The decrease in the fund balance of the Debt Service Fund for Series B was due to the amount of property taxes collected and required to be set aside for future bonded debt reductions being less than the required bond payment. The required annual payments for this bond began in the year ended June 30, 2008.

The nonmajor fund balance increase was due to the Debt Service Fund for Series B collecting property taxes in excess of the amount needed for the bond principal and interest payments. The Food Services Fund finished the year with an excess of expenditures over revenues of \$56,398 and, according to the School District's policy, the General Fund transferred funds to make up this short fall. The School District is continuously analyzing the program to see what can be done to keep the program profitable and provide excellent service to our students.

General Fund Budgetary Items

During the year, the School District revises its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2008, was adopted by the Board of Education on June 25, 2007, and was amended four times during the fiscal year, with the final amendments made on June 30, 2008. A schedule showing the School District's original budget as compared to the final budget and final actual expenditures is included as required supplementary information in the financial section of the audit report.

The original budget projected a fund balance of \$254,639, which contained no allowance for teacher compensation increase. The first amendment brought the projected fund balance to \$51,992 with increases to expenditures in the instruction areas due to the teacher contract settlement. As news from Lansing continued to predict a take-back of state aid in the current year, expenditures were monitored even more closely to reduce them where possible. When some unanticipated costs arose, budgeting became even more conservative to make sure we achieved our goal of staying out of deficit. That is why utilities ended up being over-budgeted. Some of the areas had built-in contingencies for situations that did not materialize. The final amendment in June 2008, using cautious estimates of final expenditures, left the projected fund balance at the \$51,992 amount. A wide variety of expenditures ended up being slightly under budget, some through delaying purchases and one heating project was delayed until July. These combined to produce a surplus of slightly over 1% of annual revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Items (Continued)

There was one unfavorable budget variance to be reported for the General Fund and two for the Special Revenue Funds, which are included in Note B to the Financial Statements and in the Findings and Questioned Costs in the Supplemental Report section of the audit report.

Capital Assets

At June 30, 2008, the School District had \$4,406,003 invested in capital assets. This is a net decrease during the past fiscal year of \$219,394, consisting of additions totaling \$24,353 and depreciation charges of \$243,747. The additions include a plow truck, a step van and the purchase of computers.

Debt

The School District has \$4,351,859 of long-term debt, including \$663,997 due in the next fiscal year. This includes bonds issued for construction, bonds issued by the State of Michigan for the Durant settlement, notes for energy saving, buses and asbestos abatement, and employee related benefits such as early retirement incentives, health insurance and sick pay accruals. The long-term debt decreased by \$208,382 during the year. The state allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount. The notes to the financial statements provide detail of each long-term debt issue.

Future Considerations

The School District will continue to monitor and update its budget to remain out of deficit. With the outlook being totally unpredictable regarding state school aid funding, potential cuts in other categorical aid, and the inability for the School District to obtain additional property tax revenues for operations or capital improvements, the School District is under pressure to adopt a budget that will maintain its positive fund balance. The cost of retirement and declining enrollment are beyond the School District's control. As this school year begins, we have similar teacher numbers to last year, but some are paid by extra Title and At-Risk money. Our kindergarten numbers are down substantially from last year, and well below the years before. The Board now has an agreement with the support staff union, and is negotiating with the teachers union. With our \$112 increase in the foundation grant per student, we will be safe if there is no prorating from the state. While our enrollment appears to be down again, current state law allows us to use a three-year average of enrollment to calculate state aid, so we have some short-term reprieve.

Contacting the School District

If you have any questions about this report or need additional information, contact the Superintendent's office at the Ironwood Area Schools, 650 E. Ayer Street, Ironwood, MI 49938.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY
Year ended June 30, 2008

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	\$ 328,477
Investments	681,478
Delinquent taxes receivable	4,622
Accounts receivable:	
State of Michigan	1,369,584
Other	33,829
Inventories	17,426
Prepaid expenses	<u>18,007</u>
TOTAL CURRENT ASSETS	\$ 2,453,423
NONCURRENT ASSETS	
Restricted cash and cash equivalents	\$ 735,846
Capital assets	10,406,738
Less: Accumulated depreciation	<u>(6,000,735)</u>
TOTAL NONCURRENT ASSETS	\$ 5,141,849
TOTAL ASSETS	<u>\$ 7,595,272</u>
LIABILITIES	
CURRENT LIABILITIES	
Short-term State aid anticipation note payable	\$ 1,670,000
Accounts payable	27,951
Interest payable	85,927
Accrued salaries, benefits and related withholdings	515,812
Deferred revenue	4,550
Current portion of long-term liabilities	<u>663,997</u>
TOTAL CURRENT LIABILITIES	\$ 2,968,237
LONG-TERM LIABILITIES	
Bonds, notes and other long-term liabilities	\$ 4,351,859
Less current portion	<u>(663,997)</u>
TOTAL LONG-TERM LIABILITIES	\$ 3,687,862
TOTAL LIABILITIES	<u>\$ 6,656,099</u>
NET ASSETS	
Investment in capital assets, net of related debt	\$ 1,088,177
Restricted for debt service	789,508
Unrestricted (deficit)	<u>(938,512)</u>
TOTAL NET ASSETS	<u>\$ 939,173</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY
Year ended June 30, 2008

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
GOVERNMENTAL FUNCTIONS				
Current:				
Instruction	\$ 6,275,715	\$ 63,034	\$ 836,600	\$ (5,376,081)
Supporting services	2,786,203			(2,786,203)
Community services	2,557			(2,557)
Food services	558,699	188,753	313,548	(56,398)
Athletics	35,448	25,474	44,854	34,880
Other	21,256			(21,256)
Interest on long-term debt	140,252			(140,252)
Depreciation (unallocated)	<u>243,747</u>	<u> </u>	<u> </u>	<u>(243,747)</u>
TOTAL GOVERNMENTAL FUNCTIONS	\$ 10,063,877	\$ 277,261	\$ 1,195,002	\$ (8,591,614)
GENERAL REVENUES				
Property taxes:				
General purposes				\$ 1,317,507
Debt service				290,376
State aid not restricted for specific purposes				6,590,472
Interest and investment earnings				85,468
Other				<u>170,074</u>
TOTAL GENERAL REVENUES				8,453,897
SPECIAL ITEM - Gain on sale of assets				<u>10,200</u>
CHANGE IN NET ASSETS FOR THE YEAR				\$ (127,517)
NET ASSETS AT JULY 1, 2007				<u>1,066,690</u>
NET ASSETS AT JUNE 30, 2008				<u><u>\$ 939,173</u></u>

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GOVERNMENTAL FUNDS
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2008

	General	Debt Service Funds 2002 School Building and Site Bonds Series B	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 275,346	\$ 32,569	\$ 20,562	\$ 328,477
Restricted cash and cash equivalents		735,846		735,846
Investments	681,478			681,478
Delinquent taxes receivable	4,091	282	249	4,622
Accounts receivable:				
State of Michigan	1,360,404		9,180	1,369,584
Other	9,009		24,820	33,829
Due from other funds	18,465		4,153	22,618
Inventories	8,314		9,112	17,426
Prepaid expenses	<u>18,007</u>	<u> </u>	<u> </u>	<u>18,007</u>
	<u>\$ 2,375,114</u>	<u>\$ 768,697</u>	<u>\$ 68,076</u>	<u>\$ 3,211,887</u>
LIABILITIES AND FUND EQUITY				
Short-term State aid anticipation note payable	\$ 1,670,000			\$ 1,670,000
Accounts payable	22,406		\$ 5,545	27,951
Interest payable	51,851			51,851
Accrued salaries, benefits and related withholdings	501,669		14,143	515,812
Deferred revenue	4,550			4,550
Due other funds	<u>4,153</u>	<u> </u>	<u>18,465</u>	<u>22,618</u>
TOTAL LIABILITIES	\$ 2,254,629		\$ 38,153	\$ 2,292,782
Fund Equity:				
Fund balances:				
Reserved for:				
Inventories and prepaid items	\$ 26,321		\$ 9,112	\$ 35,433
Debt service		\$ 768,697	20,811	789,508
Unreserved	<u>94,164</u>	<u> </u>	<u> </u>	<u>94,164</u>
TOTAL FUND EQUITY	\$ 120,485	\$ 768,697	\$ 29,923	\$ 919,105
	<u>\$ 2,375,114</u>	<u>\$ 768,697</u>	<u>\$ 68,076</u>	<u>\$ 3,211,887</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY
June 30, 2008

Total fund equity of governmental activities	\$ 919,105
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Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of the capital assets is	\$ 10,406,738	
Accumulated depreciation is	<u>(6,000,735)</u>	4,406,003

Reductions:

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

\$ (4,351,859)

Accrued interest payable on long-term debt is not included as a liability in governmental activities.

	<u>(34,076)</u>	<u>(4,385,935)</u>
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Total net assets of governmental activities	<u>\$ 939,173</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

	General	Debt Service Funds 2002 School Building and Site Bonds Series B	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources:				
Property taxes	\$ 1,317,507	\$ 152,168	\$ 138,208	\$ 1,607,883
Food services			188,753	188,753
Athletics			70,328	70,328
Other	242,593	30,517	1,087	274,197
State sources	6,966,837		19,034	6,985,871
Federal sources	460,235		294,514	754,749
Other school districts	44,379			44,379
TOTAL REVENUES	\$ 9,031,551	\$ 182,685	\$ 711,924	\$ 9,926,160
EXPENDITURES				
Current:				
Instruction	\$ 6,089,882			\$ 6,089,882
Supporting services	2,818,984			2,818,984
Community services	2,557			2,557
Food services			\$ 558,699	558,699
Athletics			35,448	35,448
Other	20,821	\$ 228	207	21,256
Debt service:				
Principal	46,434	250,000	65,000	361,434
Interest	71,609		67,186	138,795
Other		15	303	318
Capital outlay	24,353			24,353
TOTAL EXPENDITURES	\$ 9,074,640	\$ 250,243	\$ 726,843	\$ 10,051,726
EXCESS OF REVENUES OVER EXPENDITURES	\$ (43,089)	\$ (67,558)	\$ (14,919)	\$ (125,566)
OTHER FINANCING SOURCE (USE)				
Proceeds from sale of assets	\$ 10,200			\$ 10,200
Operating transfer in (out)	(23,773)		\$ 23,773	
TOTAL OTHER FINANCING (USE)	\$ (13,573)		\$ 23,773	\$ 10,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE	\$ (56,662)	\$ (67,558)	\$ 8,854	\$ (115,366)
Fund balances at July 1, 2007	177,147	836,255	21,069	1,034,471
FUND BALANCES AT JUNE 30, 2008	\$ 120,485	\$ 768,697	\$ 29,923	\$ 919,105

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2008

Total net change in fund balances - governmental funds	\$ (115,366)
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ 243,747	
Capital outlays	<u>(24,353)</u>	\$ (219,394)

Repayment of bond and loan principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	361,434
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Interest on long-term debt in the statement of activities is recorded as the interest accrues regardless of when it is paid. In the governmental funds, interest is recorded as an expenditure when it is paid. The additional interest recorded in the statement of activities is due to the increase in the accrued interest amount.	(1,139)
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In the statement of activities, operating expenses for compensated absences and early retirement incentives are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount paid for compensated absences was more than the amount earned by \$88,596. Early retirement incentives paid were less than the amount earned by \$241,648.	<u>(153,052)</u>
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Change in net assets of governmental activities	<u>\$ (127,517)</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2008

	Fiduciary Fund Types		
	Private-Purpose Trust	Agency	Total
ASSETS			
Cash	\$ 21,332	\$ 90,619	\$ 111,951
Investments	<u>10,979</u>	<u> </u>	<u>10,979</u>
	<u>\$ 32,311</u>	<u>\$ 90,619</u>	<u>\$ 122,930</u>
LIABILITIES			
Due student and other school groups		<u>\$ 90,619</u>	<u>\$ 90,619</u>
NET ASSETS			
Reserved for scholarships	<u>\$ 32,311</u>		<u>\$ 32,311</u>

STATEMENT OF CHANGES IN FIDUCIARY
NET ASSETS - PRIVATE PURPOSE TRUST FUND

For the year ended June 30, 2008

REVENUES

Local sources:

Donations	\$ 13,209
Earnings on investments	<u>223</u>
	\$ 13,432

EXPENDITURES

Scholarships	<u>8,045</u>
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EXCESS OF REVENUES OVER EXPENDITURES \$ 5,387

Net assets at July 1, 2007 26,924

NET ASSETS AT JUNE 30, 2008 \$ 32,311

The accompanying notes are an integral part of the
financial statements.

NOTES TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ironwood Area Schools of Gogebic County have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District entity for financial reporting purposes nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria, the financial statements of the School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District.

Basis of Presentation

District-wide Financial Statements

The School District-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The School District reports the following major governmental funds:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

General Fund – is the general operating fund of the School District. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – 2002 School Building and Site Bonds – Series B – is used to record the taxes collected and set aside to be used to pay future debt requirements of the bond agreement.

All other governmental funds are considered to be nonmajor. They include:

Special Revenue Funds – are used by the School District to account for food services and athletic programs provided as school services.

Debt Service Fund – 2002 School Building and Site Bonds – Series A – is used to account for the payment of principal and interest on the school building and site bonds payable.

Fiduciary Funds

Private-Purpose Trust Fund – is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and other funds under direct control of the School District.

Agency Fund – is used to account for assets held by the School District in its capacity as a receiving and paying agent for the several student body activity groups.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

District-wide Financial Statements

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

Fund-based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current period liabilities. The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31st. School taxes are levied on the ensuing July 1, with summer collections due by August 15th and winter collections due by February 15th from the respective governmental units. Current property taxes are collected for the School District by the City of Ironwood and the Townships of Ironwood and Erwin. Delinquent real property taxes of the School District are purchased annually by the County of Gogebic.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August of 2008 are State appropriations for the year ended June 30, 2008, and, as such, are recorded as accounts receivable.

State Categorical Revenue

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

Investments

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks and mutual funds composed of investments outlined above.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet of the fund-based financial statements.

Restricted Assets

Restricted assets consist of cash and cash equivalents of the Debt Service Funds required to be set aside for future bond principal and interest payments.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$1,000 or betterments totaling \$20,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method with a half-month depreciation taken for assets purchased after the fifteenth of each month over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Buildings	25-50 years
Furniture, fixtures and other equipment	5-20 years
School buses and vehicles	8 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net assets.

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net assets. Amounts are recorded at face value along with any accrued interest to June 30, 2008.

Investment in Capital Assets, Net of Related Debt

This is a portion of the net assets of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Balance

In the fund-based financial statements, the unreserved fund balances represent the amount available for budgeting future operations. The reserved fund balances represent the tentative and required plans for future use of financial resources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Funds. The School District is not legally required to adopt budgets for the Debt Service Funds.

1. Prior to July 1, the School District Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted, or as amended, by the Board of Education prior to June 30, 2008.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including school districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the school district's actual revenues will deviate from those budgeted, or if the school district's expenditures will exceed the amounts appropriated. During the year ended June 30, 2008, the School District monitored and amended its budget and was in substantial compliance with the Act except for the following:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Public Act 621 of 1978 Disclosures (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund - Expenditures - Added Needs	\$ 1,527,278	\$ 1,600,347	\$ (73,069)
Special Revenue Funds - Expenditures:			
Food purchases	241,000	253,156	(12,156)
Salaries	157,026	177,143	(20,117)

Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2008.

NOTE C – CASH AND INVESTMENTS

The carrying amount of various deposits presented on the statement of net assets as "Cash," "Investments" and "Restricted Cash and Cash Equivalents" were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2008, cash and investments on deposit in financial institutions totaled \$2,234,835, of which \$177,565 was covered by depository insurance, \$634,823 exceeded insurance limits and \$1,422,447 was deposited in uninsured municipal investment funds. The municipal investment funds have a market value equal to cost and are not subject to credit risk categorization. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. Although such deposits and investments were in uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

Transactions for governmental fund-types are recorded separately; however, the School District uses a common bank account to deposit and disburse cash of the General Fund and Special Revenue Funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2008, were as follows:

	Balance at July 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2008</u>
Land	\$ 269,433			\$ 269,433
Land improvements	133,855			133,855
Buildings	6,009,909		\$ 1	6,009,908
Furniture, fixtures and equipment	3,181,713	\$ 11,745		3,193,458
School buses	753,676			753,676
Vehicles	<u>33,800</u>	<u>12,608</u>		<u>46,408</u>
	\$10,382,386	\$ 24,353	\$ 1	\$10,406,738
Accumulated Depreciation:				
Land improvements	\$ 27,181	\$ 5,725		\$ 32,906
Buildings	2,349,567	149,564	\$ 1	2,499,130
Furniture, fixtures and equipment	2,772,470	58,730		2,831,200
School buses	575,661	28,489		604,150
Vehicles	<u>32,110</u>	<u>1,239</u>		<u>33,349</u>
	<u>\$ 5,756,989</u>	<u>\$ 243,747</u>	<u>\$ 1</u>	<u>\$ 6,000,735</u>
Net Capital Assets	<u>\$ 4,625,397</u>	<u>\$ (219,394)</u>	<u>\$ 0</u>	<u>\$ 4,406,003</u>

All depreciation expense was not allocable to specific functions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2008, were as follows:

	Balance at July 1, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance at June 30, <u>2008</u>	<u>Current Portion</u>
School bus installment contracts payable	\$ 133,794		\$ 31,767	\$ 102,027	\$ 35,927
Energy saving loan	53,934		14,667	39,267	14,961
Deferred compensation payable	391,104	\$ 339,098	97,450	632,752	193,049
Accumulated sick leave payable	450,610		88,596	362,014	44,125
1998 school improvement bonds	105,799			105,799	60,935
2002 school building and site bonds:					
Series A	1,425,000		65,000	1,360,000	65,000
Series B	<u>2,000,000</u>		<u>250,000</u>	<u>1,750,000</u>	<u>250,000</u>
	<u>\$ 4,560,241</u>	<u>\$ 339,098</u>	<u>\$ 547,480</u>	<u>\$ 4,351,859</u>	<u>\$ 663,997</u>

Payments on the bus installment contracts and loans are made by the General Fund. The deferred compensation and accumulated sick leave will be paid by several governmental funds. The 1998 school improvement bonds are paid with an annual appropriation by the State of Michigan. The 2002 school building and site bonds payments are to be made by the Debt Service Funds.

The aggregate amounts of long-term debt principal and interest maturities (excluding accumulated sick leave payable) for the five years ending June 30, 2013, and in five-year increments after until maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 619,872	\$ 93,264	\$ 713,136
2010	520,691	67,244	587,935
2011	476,194	62,495	538,689
2012	376,100	57,785	433,885
2013	358,676	53,621	412,297
2014 - 2018	1,183,312	207,415	1,390,727
2019 - 2023	<u>455,000</u>	<u>44,797</u>	<u>499,797</u>
	<u>\$ 3,989,845</u>	<u>\$ 586,621</u>	<u>\$ 4,576,466</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

School Bus Installment Contracts Payable

On August 5, 2003, the School District purchased a school bus costing \$62,831 through an installment agreement, which was assigned to a local bank at an interest rate of 3.194%. The note requires a final payment principal payment of \$12,566 with interest of \$401 due July 21, 2008.

On October 20, 2005, the School District purchased a school bus costing \$61,504 through an installment agreement, which was assigned to a local bank at an interest rate of 4%. The note requires annual interest and principal payments due each September 30.

<u>Year ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2009	\$ 12,282	\$ 1,534	\$ 13,816
2010	12,773	1,042	13,815
2011	<u>13,272</u>	<u>543</u>	<u>13,815</u>
	<u>\$ 38,327</u>	<u>\$ 3,119</u>	<u>\$ 41,446</u>

On July 27, 2006, the School District purchased a school bus costing \$58,520 through an installment agreement, which was assigned to a local bank at an interest rate of 5.35%. The note requires annual interest and principal payments due each January 29.

<u>Year ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2009	\$ 11,079	\$ 2,569	\$ 13,648
2010	11,672	1,976	13,648
2011	12,297	1,351	13,648
2012	<u>16,086</u>	<u>693</u>	<u>16,779</u>
	<u>\$ 51,134</u>	<u>\$ 6,589</u>	<u>\$ 57,723</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Energy Saving Loan

On December 9, 2003, the School District borrowed \$101,885 from Northern Lights Revolving Loan Fund at an interest rate of 2% with interest beginning to accrue on January 19, 2004, for various energy saving improvements. The note requires monthly interest and principal payments of \$1,301.

<u>Year ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2009	\$ 14,961	\$ 649	\$ 15,610
2010	15,263	347	15,610
2011	<u>9,043</u>	<u>63</u>	<u>9,106</u>
	<u>\$ 39,267</u>	<u>\$ 1,059</u>	<u>\$ 40,326</u>

Deferred Compensation Payable

Deferred compensation payable consists of early retirement incentives that the School District negotiated with various teachers and support staff. Following is a summary of future payments:

<u>Date</u>	<u>Amount</u>	
Cash payments due teachers and support staff during year ending:		
June 30, 2009	\$ 141,665	
June 30, 2010	108,333	
June 30, 2011	<u>75,006</u>	\$ 325,004
Hospitalization for retired teachers to age 65 due during year ending:		
June 30, 2009	\$ 37,665	
June 30, 2010	36,150	
June 30, 2011	32,415	
June 30, 2012	31,166	
June 30, 2013	29,416	
Years after June 30, 2013	<u>95,970</u>	262,782
Social security taxes due on retirement incentives		<u>44,966</u>
		<u>\$ 632,752</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Members of the various groups of employees can accumulate up to a maximum number of days at an established rate per day for this unused sick leave. The number of days and rate per day are determined by contracts with the individual groups.

Following is a summary of compensated absences due at June 30, 2008:

	<u>Maximum Days per Employee</u>	<u>Rate</u>	<u>Amount Due</u>
Teachers and school administrators	180	\$50 per day	\$ 229,657
Support staff	180	\$82.50 for 1/2 of days	<u>132,357</u>
			<u>\$ 362,014</u>

1998 School Improvement Bonds - Durant Settlement

On November 24, 1998, the School District, through the Michigan Municipal Bond Authority (MMBA), issued \$179,179 of School Improvement Bond, Series 1998 bonds as part of the Durant vs. State of Michigan case settlement. The bond proceeds and the expenditures are accounted for in the Capital Projects Fund. All transactions were in accordance with the provisions of the *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, specifically Section 1351a of Act 451, Public Acts of Michigan 1976. The interest and principal payments are to be appropriated annually by the State of Michigan and paid directly to the MMBA for the School District. If the State of Michigan has insufficient funds to appropriate, the School District is under no obligation to make the interest and principal payments. The bonds bear an interest rate of 4.76%. During the year ended June 30, 2007, the MMBA issued \$105,799 of School Loan Revenue Refunding Bonds, Series 2007. The principal and interest payment schedule was revised as allowed by the terms of the bond issue. The State was not required to make a payment during the year ended June 30, 2008. A summary of annual principal and interest requirements to maturity with interest and principal paid May 15 follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

1998 School Improvement Bonds - Durant Settlement (Continued)

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 60,935	\$ 23,606	\$ 84,541
2010	10,446	2,136	12,582
2011	10,944	1,639	12,583
2012	11,464	1,118	12,582
2013	<u>12,010</u>	<u>572</u>	<u>12,582</u>
	<u>\$ 105,799</u>	<u>\$ 29,071</u>	<u>\$ 134,870</u>

2002 School Building and Site Bonds

On January 22, 2002, the School District passed a resolution to issue \$3,655,000 of School Building and Site Bonds for the purpose of remodeling the L.L. Wright High School and improving the school site and football field bleachers. The bond proceeds and the expenditures were accounted for in the Capital Projects Funds – 2002 School Building and Site Bonds, Series A and B. All transactions were in accordance with the provisions of the *Bulletin For School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, Specifically Section 1351a of Act 451, Public Acts of Michigan 1976. The bonds are general obligation, unlimited tax obligations of the School District and were issued in two series, Series A and Series B, as described in the following schedules:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

2002 School Building and Site Bonds (Continued)

Series A

The 2002 School Building and Site Bonds, Series A, dated February 1, 2002, include serial bonds bearing interest rates of 4.0% to 4.625% and term bonds bearing interest rates of 4.7% to 4.9%. A summary of annual principal and interest requirements to maturity with interest due November 1 and interest and principal due May 1 follows:

<u>Year ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.250%	\$ 65,000	\$ 64,505	\$ 129,505
2010	4.375	65,000	61,743	126,743
2011	4.500	65,000	58,899	123,899
2012	4.500	65,000	55,974	120,974
2013	4.625	65,000	53,049	118,049
2014	4.700	65,000	50,043	115,043
2015	4.700	65,000	46,988	111,988
2016	4.700	150,000	43,932	193,932
2017	4.875	150,000	36,882	186,882
2018	4.875	150,000	29,570	179,570
2019	4.875	150,000	22,257	172,257
2020	4.900	150,000	14,945	164,945
2021	4.900	<u>155,000</u>	<u>7,595</u>	<u>162,595</u>
		<u>\$ 1,360,000</u>	<u>\$ 546,382</u>	<u>\$ 1,906,382</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

2002 School Building and Site Bonds (Continued)

Series A (Continued)

The bonds maturing on May 1, 2016, May 1, 2019 and May 1, 2021, are term Bonds subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium together with accrued interest thereon to the date fixed for redemption.

<u>Bonds due May 1, 2016</u>		<u>Bonds due May 1, 2019</u>		<u>Bonds Due May 1, 2021</u>	
<u>Redemption</u>	<u>Principal</u>	<u>Redemption</u>	<u>Principal</u>	<u>Redemption</u>	<u>Principal</u>
<u>Dates</u>	<u>Amounts</u>	<u>Dates</u>	<u>Amounts</u>	<u>Dates</u>	<u>Amounts</u>
May 1, 2014	\$ 65,000	May 1, 2017	\$ 150,000	May 1, 2020	\$ 150,000
May 1, 2015	65,000	May 1, 2018	150,000	May 1, 2021 (maturity)	155,000
May 1, 2016 (maturity)	150,000	May 1, 2019 (maturity)	150,000		

Bonds of this issue maturing in the year 2008 through 2012, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of Bonds in multiples of \$5,000 of this issue maturing in the year 2013 and thereafter, shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any interest payment date on or after May 1, 2012, at par and accrued interest to the date fixed for redemption.

Series B

The 2002 School Building and Site Bonds, Series B, dated February 13, 2002, are Qualified Zone Academy Bonds (QZAB) bearing an interest rate of 0%. The QZABs are issued pursuant to Section 1397E of the Internal Revenue Code of 1986, where the purchaser of the bonds receives a tax credit rate on the bonds. Also, the purchaser of the bonds obtains a right to hold set aside amounts in a Deposit Account per a deposit agreement requiring annual payments into the Deposit Account of \$149,571 on each May 1, beginning in 2003 until 2014, with interest earned at a rate of 3.80%. The deposit due May 1, 2008 was paid along with the required principal leaving a restricted cash balance was \$735,846 at June 30, 2008. A summary of annual principal requirements, due each May 1, to maturity follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

2002 School Building and Site Bonds (Continued)

Series B (Continued)

<u>Year ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	0.000%	\$ 250,000	\$ 0	\$ 250,000
2010	0.000	250,000	0	250,000
2011	0.000	250,000	0	250,000
2012	0.000	250,000	0	250,000
2013	0.000	250,000	0	250,000
2014	0.000	250,000	0	250,000
2015	0.000	<u>250,000</u>	<u>0</u>	<u>250,000</u>
		<u>\$ 1,750,000</u>	<u>\$ 0</u>	<u>\$ 1,750,000</u>

Bonds of this issue are not subject to redemption prior to maturity.

NOTE F – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. The MPERS plan is administered by a nine-member board and provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees' Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (CONTINUED)

Basic Plan members make no contributions. For a limited period ended December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1 on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, is refundable.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash basis. The rate for the quarter ended September 30, 2007, was 17.74% and for the three quarters ending June 30, 2008, was 16.72%. The contribution requirements of Plan members and the School District are established and may be amended by the MPSERS Board of Trustees. The School District's contributions to MPSERS for the years ended June 30, 2008, 2007 and 2006, were \$875,387, \$900,508 and \$849,821, respectively, equal to the required contributions for each year.

NOTE G – DEFERRED REVENUE

The School District's deferred revenue at June 30, 2008, consisted of unspent grant monies from two Intermediate School Districts, \$1,000 for a Career Forward Grant and \$3,550 for a Wellness Grant.

NOTE H – INTERFUND RECEIVABLES AND PAYABLES – FUND-BASED FINANCIAL STATEMENTS

The amount of interfund receivables and payables is comprised of the following:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 18,465	Special Revenue Fund - Athletics	\$ 18,465
Special Revenue Fund - Food Service	<u>4,153</u>	General Fund	<u>4,153</u>
	<u>\$ 22,618</u>		<u>\$ 22,618</u>

The interfund receivable/payable between the General Fund and Special Revenue Funds is due to the use of a common cash account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I – INTERFUND TRANSFERS – FUND-BASED FINANCIAL STATEMENTS

The interfund transfer in and (out) during the year ended June 30, 2008, was comprised of a \$34,880 transfer from Athletics to the General Fund to help cover the cost of coaching salaries and transportation and a \$58,653 transfer from the General Fund to the Food Services to cover the excess expenditures for the year ended June 30, 2008.

NOTE J – OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note F, the School District offers early retirement incentives to all teachers and administrators eligible to retire from the School District who have at least ten years of service with the School District. Currently, thirty-eight retirees meet those eligibility requirements. The School District pays the incentives in installments ranging from \$6,000 to \$48,000 over three or four years, along with two semiannual payments of \$500 to \$625 to assist with health insurance costs until the retiree is eligible for Medicare benefits. The retiree's first payment is paid the January following the year of retirement. Unpaid amounts due retirees are recorded as long-term liabilities as disclosed in Note E.

NOTE K – RISK MANAGEMENT

The School District is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and for workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The School District has not been informed of any special assessments being required.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – RISK MANAGEMENT (CONTINUED)

The School District's comprehensive general liability coverage has a \$5,000,000 aggregate limit and no deductible amount. The workers' disability compensation coverage is based on statutory limits. The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

All risk management activities are accounted for in the General Fund of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the School District as of June 30, 2008, will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L – OPERATING LEASES

In January of 2006, the School District entered into a five-year postage meter lease agreement with a quarterly payment of \$378. The total paid for this lease was \$1,512 during the year ended June 30, 2008.

During the year ended June 30, 2008, the School District leased building space for the Adult High School program under an annual lease starting June 1st and amended to be from 8/1/07 to 7/31/08 with the same terms and \$1,900 monthly lease payment. The total rent paid for these lease for the year ended June 30, 2008 was \$22,800.

Effective August 1, 2003, the School District entered into an agreement with a consortium of various local school districts to lease various technology equipment. The minimum lease term is ten years from the effective date of the lease or the expiration or early termination of the contract with the telecommunications company that is party to the agreement. The rental payments totaled \$14,556 for the year ended June 30, 2008. The amount of future payments are based on the School District's share of services paid under the contract with the telecommunications company and are unable to be estimated by the School District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE

The short-term state aid anticipation note payable consists of a \$1,670,000 State Aid Note Payable to Michigan Municipal Bond Authority, due August 20, 2008, bearing an interest rate of 3.68%. The State Aid note payable was \$1,700,000 at the beginning of the year.

NOTE N – RESTRICTED NET ASSETS

At June 30, 2008, the School District's restricted net assets consisted of \$789,508 to be used for future pay-off of bond obligations.

NOTE O – UNION CONTRACTS

The School District has 113 employees covered by three union contracts. The contracts for the support staff or community school teacher unions are in place for the 2008-2009 year. The School District is currently negotiating with the teacher union.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

	Original Budget	Final Budget	Actual
REVENUES			
Local sources	\$ 1,536,716	\$ 1,565,282	\$ 1,560,100
State sources	6,835,198	6,975,682	6,966,837
Federal sources	386,926	450,158	460,235
Other school districts	<u>40,000</u>	<u>40,000</u>	<u>44,379</u>
TOTAL REVENUES	\$ 8,798,840	\$ 9,031,122	\$ 9,031,551
EXPENDITURES			
Current:			
Education:			
Instruction:			
Basic programs	\$ 4,034,497	\$ 4,283,070	\$ 4,270,647
Added needs	1,384,722	1,527,278	1,600,347
Adult continuing education	<u>224,290</u>	<u>208,935</u>	<u>218,888</u>
	\$ 5,643,509	\$ 6,019,283	\$ 6,089,882
Supporting services:			
Pupil	\$ 200,560	\$ 206,664	\$ 229,578
Instructional	229,379	272,548	234,318
General administration	381,847	400,331	397,204
School administration	560,457	518,770	483,569
Business	169,606	185,145	186,169
Operation and maintenance of plant	901,991	907,403	860,798
Pupil transportation	409,161	420,245	421,460
Planning, research, development and evaluation			4,251
Information Management Services	<u></u>	<u></u>	<u>1,637</u>
	\$ 2,853,001	\$ 2,911,106	\$ 2,818,984
Community services	2,200	2,200	2,557
Non-public school federal funds	16,913	18,511	20,821
Debt Service:			
Principal	54,492	54,492	46,434
Interest	72,015	72,015	71,609
Capital outlay	<u>40,000</u>	<u>45,280</u>	<u>24,353</u>
TOTAL EXPENDITURES	\$ 8,682,130	\$ 9,122,887	\$ 9,074,640
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 116,710	\$ (91,765)	\$ (43,089)
OTHER FINANCING SOURCE (USE)			
Proceeds from sale of assets		\$ 10,200	\$ 10,200
Operating transfer in (out)	<u>\$ (39,218)</u>	<u>(43,590)</u>	<u>(23,773)</u>
TOTAL OTHER FINANCING SOURCE (USE)	\$ (39,218)	\$ (33,390)	\$ (13,573)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER FINANCING USE	\$ 77,492	\$ (125,155)	\$ (56,662)
Fund balance at July 1, 2007	<u>177,147</u>	<u>177,147</u>	<u>177,147</u>
FUND BALANCE AT JUNE 30, 2008	<u>\$ 254,639</u>	<u>\$ 51,992</u>	<u>\$ 120,485</u>

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

DETAIL OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
Local sources:			
General property taxes		\$ 1,317,507	
Interest on delinquent taxes		6,631	
Tuition		18,655	
Earnings on investments		47,233	
County special education tax		119,189	
Miscellaneous revenues:			
Rentals		11,250	
Recovery of taxes previously written off		6,972	
Universal service funds		2,149	
Other		<u>30,514</u>	
	\$ 1,565,282	\$ 1,560,100	\$ (5,182)
State sources:			
State aid foundation		\$ 6,590,472	
At risk		262,346	
Early childhood education		81,600	
Michigan's Integrated Behavior and Learning Support Initiative		13,168	
Nonplaintiff Durant settlement		17,918	
Other		<u>1,333</u>	
	6,975,682	\$ 6,966,837	(8,845)

DETAIL OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
Federal sources:			
Title I		\$ 300,457	
Title I F		49,299	
Title II A		92,218	
Title II D		2,458	
Title V - Part A		4,269	
Service Provider Self Review		4,000	
Schools and roads grant		<u>7,534</u>	
	450,158	\$ 460,235	10,077
Other school districts - principally for vocational education	<u>40,000</u>	<u>44,379</u>	<u>4,379</u>
TOTAL REVENUES	<u>\$ 9,031,122</u>	<u>\$ 9,031,551</u>	<u>\$ 429</u>

The accompanying notes are an integral part of the
financial statements.

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
INSTRUCTION			
Basic programs:			
Elementary school:			
Salaries:			
Teachers		\$ 1,059,258	
Substitutes		29,640	
Employee fringe benefits		506,092	
Teaching supplies		11,958	
Workshops and conferences		12,053	
Textbooks and workbooks		24,842	
Miscellaneous		454	
Middle school:			
Salaries:			
Teachers		592,515	
Substitutes		4,475	
Employee fringe benefits		287,296	
Teaching supplies		2,723	
Workshops and conferences		1,120	
Textbooks and workbooks		207	
High school:			
Salaries:			
Teachers		951,668	
R.O.T.C.		77,433	
Substitutes		32,164	
Employee fringe benefits		459,768	
Workshops and conferences		17,095	
Teaching supplies		82,558	
Textbooks and workbooks		27,738	
Miscellaneous		13,269	
Early childhood education:			
Salaries:			
Teachers		35,026	
Aides		8,273	
Substitutes		690	
Employee fringe benefits		29,517	
Supplies		<u>2,815</u>	
	\$ 4,283,070	\$ 4,270,647	\$ 12,423

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
INSTRUCTION (CONTINUED)			
Added needs:			
Special education:			
Salaries:			
Teachers		\$ 424,571	
Aides		183,778	
Substitutes		7,055	
Employee fringe benefits		342,425	
Supplies and materials		2,845	
Other		1,857	
Compensatory education:			
Title I:			
Salaries - teachers		160,439	
Employee fringe benefits		83,925	
Travel		31	
Workshops and conferences		1,622	
Teaching supplies		30,695	
Other supplies		1,197	
At risk:			
Salaries - teachers		205,263	
Employee fringe benefits		70,524	
Title IIA:			
Salaries - teachers		35,842	
Employee fringe benefits		7,576	
Title IID - Supplies		<u>662</u>	
SUBTOTAL FORWARDED		\$ 1,560,307	

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUBTOTAL BROUGHT FORWARD		\$1,560,307	
INSTRUCTION (CONTINUED)			
Added needs: (Continued)			
Career and technical education:			
Salaries - teachers		20,127	
Employee fringe benefits		12,928	
Teaching supplies		<u>6,985</u>	
	1,527,278	\$ 1,600,347	(73,069)
Adult continuing education -			
Adult secondary education:			
Salaries:			
Teachers		\$ 58,454	
Monitors		20,414	
Aides		14,967	
Recruiting		9,184	
Employee fringe benefits		71,783	
Travel		4,488	
Contracted services		3,992	
Rentals		22,800	
Utilities		5,959	
Teaching supplies		5,441	
Textbooks and workbooks		40	
Miscellaneous		<u>1,366</u>	
	<u>208,935</u>	\$ 218,888	<u>(9,953)</u>
TOTAL INSTRUCTION	\$ 6,019,283	\$ 6,089,882	\$ (70,599)

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUPPORTING SERVICES			
Pupil:			
Guidance services:			
Salaries:			
Counselors:			
Secondary		\$ 58,023	
Title I		10,591	
Clerical		23,487	
Employee fringe benefits:			
Secondary		35,476	
Title I		1,241	
Supplies		884	
Other pupil support services:			
Salaries - noon duty		80,441	
Employee fringe benefits		<u>19,435</u>	
	\$ 206,664	\$ 229,578	\$ (22,914)
Instructional:			
Improvement of instruction:			
Salaries:			
Title I F		\$ 5,110	
Title II A		3,684	
Employee fringe benefits:			
Title I F		1,276	
Title II A		888	
Tuition reimbursement - teachers		8,242	
Contracted services - Title I F		1,690	
Professional development:			
Teachers		450	
Title II A		24,313	
Title II D		<u>159</u>	
SUBTOTAL FORWARDED		\$ 45,812	

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUBTOTAL BROUGHT FORWARD		\$ 45,812	
SUPPORTING SERVICES (CONTINUED)			
Instructional: (Continued)			
Educational media services -			
Secondary:			
Salary - Library technician		23,919	
Employee fringe benefits		18,559	
Contracted services		3,628	
Books		4,677	
Periodicals		2,289	
Office supplies		112	
Miscellaneous		162	
Computer assisted instruction-			
Title I F:			
Contracted services		9,735	
Supplies		30,053	
Supervision and direction of instructional staff:			
Title I:			
Employee fringe benefits		1,109	
Vocational education:			
Director salary		15,178	
Employee fringe benefits		1,461	
Community schools:			
Director salary		6,752	
Employee fringe benefits		<u>8,676</u>	
SUBTOTAL FORWARDED		\$ 172,122	

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUBTOTAL BROUGHT FORWARD		\$ 172,122	
SUPPORTING SERVICES (CONTINUED)			
Instructional: (Continued)			
Supervision and direction of instructional staff: (Continued)			
Adult secondary education:			
Salary - Clerical		21,744	
Employee fringe benefits		7,209	
School improvement:			
Supervisor salary		13,725	
Employee fringe benefits		18,738	
Workshops and conferences		<u>780</u>	
	272,548	\$ 234,318	38,230

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUPPORTING SERVICES (CONTINUED)			
General administration:			
Board of education:			
Salaries:			
Board members		\$ 7,020	
Secretary		4,041	
Negotiations		12,000	
Elections		2,029	
Employee fringe benefits		17,274	
Legal services		16,360	
Audit and accounting		9,800	
Title I - audit and accounting		900	
Early retirement incentives		154,789	
Workshops and conferences		175	
Publishing		2,176	
Election supplies		1,658	
Dues and fees		2,466	
Miscellaneous		15,038	
Executive administration:			
Salaries:			
Superintendent		47,665	
Clerical		40,529	
Child accounting		18,827	
Employee fringe benefits		38,834	
Workshops and conferences		2,059	
Office supplies		1,820	
Dues		854	
Miscellaneous		<u>890</u>	
	400,331	\$ 397,204	3,127

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUPPORTING SERVICES (CONTINUED)			
School administration:			
Principal - elementary school:			
Salaries:			
Principal		\$ 70,122	
Supervisor		9,150	
Clerical		49,161	
Employee fringe benefits		64,848	
Workshops and conferences		789	
Office supplies		9,010	
Dues		835	
Miscellaneous		1,387	
Principal - middle school:			
Salaries:			
Principal		26,825	
Clerical		23,084	
Employee fringe benefits		61,592	
Office supplies		114	
Dues		640	
Miscellaneous		10	
Principal - high school:			
Salaries:			
Principal		60,887	
Supervisor		18,300	
Athletic director		11,614	
Clerical		35,801	
Employee fringe benefits		31,831	
Workshops and conferences		769	
Contracted services		1,725	
Office supplies		4,744	
Miscellaneous		<u>331</u>	
	518,770	\$ 483,569	35,201

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUPPORTING SERVICES (CONTINUED)			
Business:			
Fiscal services:			
Salaries - accountants		\$ 60,620	
Employee fringe benefits		37,575	
Office supplies		3,190	
Miscellaneous		23	
Other business services:			
Property insurance		38,255	
Student insurance		10,649	
Written-off taxes		3,432	
Tax chargebacks		15,941	
Tax collection costs		11,387	
Payroll tax penalties		5,057	
Bank charges		<u>40</u>	
	185,145	\$ 186,169	(1,024)
Operation and maintenance of plant:			
Salaries:			
Custodians - regular		\$ 176,286	
Custodians - overtime		8,301	
Maintenance - regular		37,084	
Maintenance - overtime		2,666	
Employee fringe benefits		113,703	
Telephone		16,342	
Heating fuel		150,363	
Electricity		59,613	
Water and sewer		35,745	
Waste and trash disposal		13,581	
Contracted services:			
Building		367	
Grounds		12,751	
Heating		26,176	
Electrical		<u>18,518</u>	
SUBTOTAL FORWARDED		\$ 671,496	

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUBTOTAL BROUGHT FORWARD		\$ 671,496	
SUPPORTING SERVICES (CONTINUED)			
Operation and maintenance of plant: (Continued)			
Contracted services: (Continued)			
Equipment		129,022	
Janitorial		9,231	
Repairs		11,614	
Custodial supplies		12,663	
Maintenance supplies:			
General		242	
Grounds		777	
Buildings		21,755	
Truck supplies and maintenance		<u>3,998</u>	
	907,403	\$ 860,798	46,605
Pupil transportation:			
Salaries:			
Supervisor		\$ 4,100	
Bus drivers		131,269	
Extra trips		26,659	
Substitutes		9,448	
Title I		5,247	
Mechanic		36,085	
Clerical		5,677	
Employee fringe benefits:			
Regular		121,028	
Title I		1,191	
Contracted services - Bus repair and maintenance		6,090	
Gasoline, oil and grease		55,009	
Vehicle repair parts		13,233	
Miscellaneous supplies		1,063	
Miscellaneous		<u>5,361</u>	
	420,245	\$ 421,460	(1,215)

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUPPORTING SERVICES (CONTINUED)			
Planning, Research, Development and Evaluation:			
Salaries:			
Evaluation		\$ 125	
Service Provider Self Review		1,641	
Employee fringe benefits:			
Evaluation		30	
Service Provider Self Review		439	
Contracted services - Service Provider Self Review		300	
Supplies:			
Evaluation		96	
Service Provider Self Review		<u>1,620</u>	
		\$ 4,251	(4,251)
Information Management Services - Software	<u> </u>	<u>1,637</u>	<u>(1,637)</u>
TOTAL SUPPORTING SERVICES	\$2,911,106	\$2,818,984	\$ 92,122
COMMUNITY SERVICES			
Community recreation -			
Quiz bowl	2,200	2,557	(357)
NON-PUBLIC SCHOOL FEDERAL FUNDS			
Title I		\$ 14,607	
Title II A		5,745	
Title V		<u>469</u>	
TOTAL NON-PUBLIC SCHOOL FEDERAL FUNDS	18,511	\$ 20,821	(2,310)
DEBT SERVICE			
Principal		\$ 46,434	
Interest		<u>71,609</u>	
TOTAL DEBT SERVICE	126,507	\$ 118,043	8,464

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
CAPITAL OUTLAY			
Equipment and furniture:			
High School		\$ 1,490	
Compensatory education - Title II A		2,162	
Compensatory education - Title V A		3,800	
Operations building services		12,801	
Pupil transportation		<u>4,100</u>	
TOTAL CAPITAL OUTLAY	<u>45,280</u>	<u>\$ 24,353</u>	<u>20,927</u>
TOTAL EXPENDITURES	<u>\$9,122,887</u>	<u>\$9,074,640</u>	<u>\$ 48,247</u>

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u> 2002 School Building and <u>Site Bonds</u> Series A	Total
	Food Services	Athletics		
ASSETS				
Cash			\$ 20,562	\$ 20,562
Delinquent taxes receivable			249	249
Accounts receivable:				
State of Michigan	\$ 9,180			9,180
Other	6,355	\$ 18,465		24,820
Due from General Fund	4,153			4,153
Inventories	<u>9,112</u>			<u>9,112</u>
	<u>\$ 28,800</u>	<u>\$ 18,465</u>	<u>\$ 20,811</u>	<u>\$ 68,076</u>
LIABILITIES AND FUND EQUITY				
Accounts payable	\$ 5,545			\$ 5,545
Accrued salaries, benefits and related withholding	14,143			14,143
Due to General Fund		\$ 18,465		<u>18,465</u>
Total Liabilities	\$ 19,688	\$ 18,465		\$ 38,153
Fund Equity:				
Fund balances:				
Reserved for:				
Inventories	\$ 9,112			\$ 9,112
Debt service			\$ 20,811	<u>20,811</u>
Total Fund Equity	<u>\$ 9,112</u>		<u>\$ 20,811</u>	<u>\$ 29,923</u>
	<u>\$ 28,800</u>	<u>\$ 18,465</u>	<u>\$ 20,811</u>	<u>\$ 68,076</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u> 2002 School Building and <u>Site Bonds</u> Series A	Total
	Food Services	Athletics		
REVENUES				
Local sources:				
Property taxes			\$ 138,208	\$ 138,208
Food services	\$ 188,753			188,753
Athletics		\$ 70,328		70,328
Earnings on investments			1,087	1,087
State sources	19,034			19,034
Federal sources	<u>294,514</u>			<u>294,514</u>
TOTAL REVENUES	\$ 502,301	\$ 70,328	\$ 139,295	\$ 711,924
EXPENDITURES				
Current:				
Food services	\$ 558,699			\$ 558,699
Athletics		\$ 35,448		35,448
Other			\$ 207	207
Debt service:				
Principal			65,000	65,000
Interest			67,186	67,186
Other			<u>303</u>	<u>303</u>
TOTAL EXPENDITURES	\$ 558,699	\$ 35,448	\$ 132,696	\$ 726,843
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (56,398)	\$ 34,880	\$ 6,599	\$ (14,919)
Other financing (use) -				
Operating transfer (out)	<u>58,653</u>	<u>(34,880)</u>		<u>23,773</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE	\$ 2,255	\$ 0	\$ 6,599	\$ 8,854
Fund balance at July 1, 2007	<u>6,857</u>		<u>14,212</u>	<u>21,069</u>
FUND BALANCE AT JUNE 30, 2008	\$ 9,112	\$ 0	\$ 20,811	\$ 29,923

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUND

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

	Balance at July 1, 2007	Additions	Deductions	Balance at June 30, 2008
Assets -				
Cash	<u>\$ 118,087</u>	<u>\$ 222,627</u>	<u>\$ 250,095</u>	<u>\$ 90,619</u>
Liabilities - Due student and other school groups	<u>\$ 118,087</u>	<u>\$ 222,627</u>	<u>\$ 250,095</u>	<u>\$ 90,619</u>

The accompanying notes are an integral part of the
financial statements.

SUMMARY OF 2007 TAX LEVY

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

	School Operations	2002 School Building and Site Bonds
2007 LEVY		
City of Ironwood	\$ 719,133	\$ 152,379
Township:		
Ironwood	550,175	123,858
Erwin	<u>48,199</u>	<u>14,139</u>
	\$ 1,317,507	\$ 290,376
Uncollected at June 30, 2008	<u>4,091</u>	<u>531</u>
COLLECTED	<u>\$ 1,313,416</u>	<u>\$ 289,845</u>
State taxable valuation - homestead and nonhomestead (excluding commercial forest reserve lands):		
City of Ironwood		\$ 74,697,180
Township:		
Ironwood		63,864,695
Erwin		<u>7,065,417</u>
		<u>\$ 145,627,292</u>

DETAIL OF DELINQUENT TAXES RECEIVABLE

June 30, 2008

Year Levied	Balance at July 1, 2007	Levy	Collected	Adjustments	Balance at June 30, 2008
General Fund -					
2008		\$ 1,317,507	\$ 1,313,416		\$ 4,091
2007	<u>\$ 6,537</u>	<u> </u>	<u>3,105</u>	<u>\$ 3,432</u>	<u> </u>
	<u>\$ 6,537</u>	<u>\$ 1,317,507</u>	<u>\$ 1,316,521</u>	<u>\$ 3,432</u>	<u>\$ 4,091</u>
2002 School Building and Site Bonds Series A and Series B -					
2008		\$ 290,376	\$ 289,845		\$ 531
2007	<u>\$ 800</u>	<u> </u>	<u>365</u>	<u>\$ 435</u>	<u> </u>
	<u>\$ 800</u>	<u>\$ 290,376</u>	<u>\$ 290,210</u>	<u>\$ 435</u>	<u>\$ 531</u>

The accompanying notes are an integral part of the financial statements.

SCHEDULE OF EXPENDITURES

IRONWOOD AREA SCHOOLS

Year ended

Federal Grantor Pass Through Grantor Program Title	Project Number	Federal C.F.D.A. Number	Approved Grant Award Amount
<u>U. S. Department of Education</u>			
Passed through the Michigan Department of Education:			
Title I: *		84.010	
Regular 2007-08	0815300708		\$ 300,457
Regular 2006-07	0715300607		<u>270,203</u>
			\$ 570,660
Title V -		84.298	
Regular 2007-08 (Note 7)	0802500708		4,705
Title II D Technology Literacy Challenge -		84.318	
Regular 2007-08 (Note 7)	0842900708		2,887
Title II A:		84.367	
Improving Teacher Quality 2007-08 (Note 7)	0805200708		\$ 95,352
Improving Teacher Quality 2006-07	0705200607		<u>97,146</u>
			\$ 192,498
Service Provider Self Review -		84.027	
Regular 2007-2008	0804400708		4,000
Title I F Comprehensive School Reform: Demonstration 2006-07 (Note 8)	0618700607	84.332	<u>179,850</u>
Total passed through Michigan Department of Education			\$ 954,600

OF FEDERAL AWARDS

OF GOGEBIC COUNTY

June 30, 2008

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue or Inventory July 1, 2007	Adjustments	Current Year Expenditures	Current Year Cash or Inventory Receipts	Accrued (Deferred) Revenue or Inventory June 30, 2008
			\$ 300,457	\$ 272,773	\$ 27,684
<u>\$ 270,203</u>	<u>\$ 137,619</u>		<u>\$ 300,457</u>	<u>137,619</u>	<u>\$ 27,684</u>
\$ 270,203	\$ 137,619			\$ 410,392	\$ 27,684
		\$ 436	4,269	469	3,800
		429	2,458	1,984	474
		\$ 3,134	\$ 92,218	\$ 55,470	\$ 36,748
<u>\$ 97,146</u>	<u>\$ 105</u>			<u>105</u>	
\$ 97,146	\$ 105	\$ 3,134	\$ 92,218	\$ 55,575	\$ 36,748
			4,000	2,301	1,699
<u>130,551</u>	<u>5,005</u>		<u>49,299</u>	<u>54,304</u>	
\$ 497,900	\$ 142,729	\$ 3,999	\$ 452,701	\$ 525,025	\$ 70,405

SCHEDULE OF EXPENDITURES OF

Federal Grantor Pass Through Grantor Program Title	Project Number	Federal C.F.D.A. Number	Approved Grant Award Amount
<u>U.S. Department of Education (Continued)</u>			
Passed through Gogebic-Ontonagon Intermediate School District - Even Start - Regular 2006-07	070390D0722CES	84.213	225,000
Passed through Traverse Bay Area Intermediate School District - Career Forward Grant (Note 9)		84.318	1,000
Passed through Copper Country Intermediate School District - Wellness Grant (Note 9)		84.215	<u>3,550</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 1,184,150
<u>U.S. Department of Agriculture</u>			
Passed through the Michigan Department of Education: National School Lunch: Nutrition Cluster:			
Section 4 All Lunches	081950	10.555	\$ 26,111
Section 4 All Lunches	071950	10.555	3,569
Section 11 Free and Reduced	081960	10.555	139,443
Section 11 Free and Reduced	071960	10.555	<u>19,081</u>
			\$ 188,204
Breakfast	081970	10.553	\$ 55,607
Breakfast	071970	10.553	<u>7,043</u>
			\$ 62,650
Summer Food Service 2007-08	070900/071900	10.559	\$ 15,502
Summer Food Service 2006-07	060900/061900	10.559	<u>5,929</u>
			<u>\$ 21,431</u>
		Total Nutrition Cluster	\$ 272,285
Commodities: (Notes 5 and 6) Entitlement Commodities		10.550	<u>25,218</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 297,503

FEDERAL AWARDS (CONTINUED)

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue or Inventory July 1, 2007	Adjustments	Current Year Expenditures	Current Year Cash or Inventory Receipts	Accrued (Deferred) Revenue or Inventory June 30, 2008
225,000	24,243			24,243	
		1,000		1,000	(1,000)
		<u>3,550</u>		<u>3,550</u>	<u>(3,550)</u>
\$ 722,900	\$ 166,972	\$ 8,549	\$ 452,701	\$ 553,818	\$ 65,855
			\$ 26,111	\$ 26,111	
			3,569	3,569	
			139,443	139,443	
			<u>19,081</u>	<u>19,081</u>	
			\$ 188,204	\$ 188,204	
			\$ 55,607	\$ 55,607	
			<u>7,043</u>	<u>7,043</u>	
			\$ 62,650	\$ 62,650	
			\$ 15,502	\$ 10,215	\$ 5,287
\$ 5,929	\$ 5,929			<u>5,929</u>	
\$ 5,929	\$ 5,929		\$ 15,502	\$ 16,144	\$ 5,287
\$ 5,929	\$ 5,929		\$ 266,356	\$ 266,998	\$ 5,287
			<u>28,158</u>	<u>28,158</u>	
\$ 5,929	\$ 5,929		\$ 294,514	\$ 295,156	\$ 5,287

SCHEDULE OF EXPENDITURES OF

Federal Grantor Pass Through Grantor Program Title	Project Number	Federal C.F.D.A. Number	Approved Grant Award Amount
<u>U.S. Department of Interior</u>			
Passed through County of Gogebic, Michigan - Schools and Roads Grant	Public Act 97.258	10.665	<u>7,534</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,489,187</u>

Notes to Schedule of Expenditures of Federal Awards:

- * Designates a Major Program.
- This schedule was prepared on the modified accrual basis of accounting, as were the fund-based financial statements. Title I was the only type A program. The Title I program was selected as the major program under the 25% coverage rule for a low-risk auditee.
- Expenditures in this schedule are in agreement with amounts reported in the financial statements. The financial reports are in agreement with the financial statements except for the DS4044 Forms, which were not prepared as of September 29, 2008.
- The amounts reported on the R7120 (Grant Section Auditors Reports) and the Grant Audit Report reconcile with this schedule.

FEDERAL AWARDS (CONTINUED)

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue or Inventory July 1, 2007	Adjustments	Current Year Expenditures	Current Year Cash or Inventory Receipts	Accrued (Deferred) Revenue or Inventory June 30, 2008
			7,534	7,534	
<u>\$ 728,829</u>	<u>\$ 172,901</u>	<u>\$ 8,549</u>	<u>\$ 754,749</u>	<u>\$ 856,508</u>	<u>\$ 71,142</u>

5. The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with this schedule for U.S.D.A. donated food commodities.
6. Expenditures include spoilage or pilferage.
7. The unexpended approved amount will be part of the amount carried over and spent as part of the 2008-2009 approved award.
8. The award was increased by \$6,350 and the balance of the grant was disbursed in the 2007-2008 school year.
9. These grant funds are to be spent during the 2008-2009 school year.

SUPPLEMENTAL
REPORTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

President and Members, Board of Education
Ironwood Area Schools of Gogebic County
Ironwood, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ironwood Area Schools of Gogebic County as of and for the year ended June 30, 2008, which collectively comprise the Ironwood Area Schools of Gogebic County's basic financial statements and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ironwood Area Schools of Gogebic County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ironwood Area Schools of Gogebic County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ironwood Area Schools of Gogebic County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ironwood Area Schools of Gogebic County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of Ironwood Area Schools of Gogebic County's financial statements that is more than inconsequential will not be prevented or detected by Ironwood Area Schools of Gogebic County's internal control. We consider the deficiencies described as 08-1, 08-2 and 08-3 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Ironwood Area Schools of Gogebic County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ironwood Area Schools of Gogebic County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of Ironwood Area Schools of Gogebic County, in a separate letter dated September 29, 2008.

Ironwood Area Schools of Gogebic County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Ironwood Area Schools of Gogebic County's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
September 29, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

President and Members, Board of Education
Ironwood Area Schools of Gogebic County
Ironwood, Michigan

Compliance

We have audited the compliance of Ironwood Area Schools of Gogebic County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. Ironwood Area Schools of Gogebic County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Ironwood Area Schools of Gogebic County's management. Our responsibility is to express an opinion on Ironwood Area Schools of Gogebic County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ironwood Area Schools of Gogebic County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ironwood Area Schools of Gogebic County's compliance with those requirements.

In our opinion, Ironwood Area Schools of Gogebic County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-4 and 08-5.

Internal Control Over Compliance

The management of Ironwood Area Schools of Gogebic County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ironwood Area Schools of Gogebic County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ironwood Area Schools of Gogebic County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Ironwood Area Schools of Gogebic County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Ironwood Area Schools of Gogebic County's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Toti, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
September 29, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Ironwood Area Schools of Gogebic County.
2. There were three significant deficiencies disclosed during the audit of the financial statements reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*. The deficiencies are not reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Ironwood Area Schools of Gogebic County were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award program reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Ironwood Area Schools of Gogebic County expresses an unqualified opinion.
6. The audit findings relative to the major federal award program for Ironwood Area Schools of Gogebic County are reported in Part C of this schedule.
7. The program tested as a major program was Title I, C.F.D.A. Number 84.010.
8. The threshold for distinguishing Type A programs was \$300,000; the Title I, C.F.D.A. Number 84.010 was the only Type A program. All other programs were considered to be Type B.
9. Ironwood Area Schools of Gogebic County was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

(08-1) Public Act 621 of 1978 Budget Requirements – Budget Amendments

State of Michigan Public Act 621 of 1978 requires local units of government (including school districts) to prepare and to monitor their fiscal year budgets in accordance with the Act. During the year ended June 30, 2008, the School District was in substantial compliance except for the following:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund - Expenditures - Added Needs	\$ 1,527,278	\$ 1,600,347	\$ (73,069)
Special Revenue Funds - Expenditures:			
Food purchases	241,000	253,156	(12,156)
Salaries	157,026	177,143	(20,117)

We recommend that the School District more closely monitor its budget throughout the year and make amendments to the budget when appropriate. The School District has agreed to do so.

(08-2) Segregation of Duties

In prior years, it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School District's finances due to the small number of staff. It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation. The lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

The School District rotates duties in the absence of accounting personnel and management will closely monitor the accounting functions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

(08-3) Ability to Prepare Financial Statements and Related Note Disclosures

Establishment and maintenance of internal controls over the financial reporting process is required by current accounting standards. Like many school districts of a similar size and as in prior years, the School District uses auditor intervention to assist in the formatting of the financial statements and the drafting of the related note disclosures.

The School District's management possesses the skill and knowledge to prepare and monitor the annual budget and does understand all of the information included in the annual financial statements.

Due to the size and budget constraints of the School District we do not recommend any changes in procedures at this time.

The School District agrees and should the current situation change, resources and staff will be allocated for education and monitoring to eliminate auditor intervention.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

NONCOMPLIANCE

(08-4) Title I, C.F.D.A. Number 84.010 – Allowable Expenditures

According to OMB Circular A-87 co-funded and 100%-funded staff must document time spent on Title I. During our audit we noted that the periodic certifications supporting 100% funded staff were not obtained timely.

This problem was caused by the fact that due to a breakdown in the negotiation process, the instructors did not sign contracts until February 2008 so the certifications were not timely signed.

The effect of this should be nominal as the instructors were the same individuals as the prior year, were aware of the need for certifications and signed the certifications after the fact. The School District also has other evidence and documentation that this service was provided by the teachers.

We recommend a system be put in place to be sure certifications are prepared and timely signed on a semi-annual basis.

The School District agrees and is in the process of preparing the certifications and setting up a system to ensure proper and timely signing of certifications.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT (CONTINUED)

NONCOMPLIANCE (CONTINUED)

(08-5) Title I, C.F.D.A. Number 84.010 – Services to Private Schools

School Districts participating in the Title I program are required to identify and offer service to all residents of the district regardless of where school is attended. During our audit we could not locate any documentation to support the offer and acceptance or rejection for all the private schools in the area.

This was caused by a misunderstanding of the requirements. The effect of this should be nominal as private schools not contacted have been offered services for a number of years but have never participated in the program.

We recommend that the School District make sure there is proper documentation of services offered to private schools in future years.

The School District agrees and is in the process of contacting all of the private schools in the current year.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2008

REPORTABLE CONDITIONS

(07-1) Public Act of 1978 Budget Requirements – Budget Adoption and Amendments

Current status: The School District attempted to monitor the budget and improvements have been made. This condition is reported again for the current year.

(07-2) Segregation of Duties

Current status: The School District's lack of segregation of duties is due to having a small number of staff. This condition persists in the current year as it has been determined not to be cost effective to hire more staff to eliminate this problem. Management and School Board continue oversight measures in an effort to mitigate the lack of segregation. This condition is reported again for the current year.

(07-3) Ability to Prepare Financial Statements and Related Note Disclosures

Current status: Like many school districts of a similar size, the School District uses auditor intervention to assist in the formatting of the financial statements and the drafting of the related note disclosures. This condition is reported again for the current year.

FINDINGS AND QUESTIONED COSTS

(07-4) Title I, C.F.D.A. Number 84-010 – Allowable Expenditures

Current status: Due to on-going contract negotiations the time certifications were not timely signed. This condition is reported again this year.

(07-5) Title I, C.F.D.A. Number 84-010 – Services to Private Schools

Current status: Could not locate documentation supporting all private schools were contacted to offer services. This condition is reported again this year.

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September 29, 2008

President and Members, Board of Education
Ironwood Area Schools of Gogebic County
Ironwood, Michigan

In planning and performing our audit of the financial statements of Ironwood Area Schools of Gogebic County for the year ended June 30, 2008, we considered the Ironwood Area Schools of Gogebic County's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of the following matter that is an opportunity for strengthening internal controls and operating efficiency. We previously reported on the Ironwood Area Schools of Gogebic County's internal control in our report dated September 29, 2008. This letter does not affect our report dated September 29, 2008, on the financial statements of Ironwood Area Schools of Gogebic County.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various School personnel, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation. Our comment is summarized as follows:

Bidding Policy

It is our understanding that the Board Policies regarding purchasing require two price quotations on purchases of more than \$500 for a single item, except in the case of emergency; competitive bids are required for the purchase of single items of supplies, materials, or equipment over the amount designated by statute (currently a little over \$18,000); and prior to commencing construction of a new building, additions to or repair or renovation of an existing building costing \$10,000 or more, the Board shall obtain competitive bids on all material and labor required to complete the project.

During our audit we noted that Board approved the purchase of a bus with delivery in the fall of 2008. It appears as though the purchasing policy of obtaining competitive bids was not followed as no documentation of the bids could be located.

The effect of this should be nominal as there appears to have been some verbal quotations asked for and the vendor is a reliable company the School District as done business with in the past.

We recommend that all Board members and the appropriate School staff be made aware of the policies and that they be adhered to in the future.

This report is intended solely for the information and use of the Board, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants